

Message Text

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ORIGIN TRSE-00

INFO OCT-01 EUR-12 ISO-00 IO-13 EB-07 AF-08 ARA-10 EA-09

NEA-10 ABF-01 OMB-01 AID-05 /077 R

DRAFTED BY TREAS:OASIA:WTHOMSON:CMR

APPROVED BY IO DR. MOREY

TREAS:OASIA:WBROWN

TREAS:OASIA:JABUSHNELL

IO/UN/BAPS:JCSAULS

IO/SEC:RVHENNES

EB/TFD/ODF:JRABENS

EUR/RPE:DLAMB

EUR/RPM:EREHFELD (SUBS)

----- 103633

R 121710Z MAY 76

FM SECSTATE WASHDC

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FOR UNIDO, USREP ICAO,USREP ADB

E.O. 11652: N/A

TAGS: EAID, EFIN

SUBJECT: REVIEW OF IMF/IBRD SALARY CAMPAIGN

1. SUMMARY: USG HAS TAKEN THE POSITION FOR SEVERAL YEARS THAT SALARY LEVELS OF THE VARIOUS INTERNATIONAL ORGANIZATIONS ARE TOO HIGH, WHEN COMPARED WITH THOSE OF MEMBER GOVERNMENT CIVIL SERVICES AND EQUIVALENT POSITIONS IN THE PRIVATE SECTOR. THESE SALARY LEVELS HAVE BEEN ATTRACTING CONGRESSIONAL CONCERN AND REQUESTED APPROPRIATION LEVELS ARE THREATENED UNLESS PROGRESS IS MADE IN HOLDING THESE SALARIES TO MORE REASONABLE LEVELS. DURING APRIL 1976 THE U.S. WAS ABLE TO PREVENT AN INCREASE OF UP TO 8.5 PERCENT BEING VOTED INTO EFFECT AT THE IMF/IBRD, WEIGHTED IN FAVOR OF THE HIGHEST PAID OFFICIALS, AND THE RISE WAS HELD TO A STRAIGHT 5.8 PERCENT COL ADJUSTMENT. A ONE-DAY WORK STOPPAGE RESULTED AT THE IMF. MESSAGE IS FOR MISSION'S USE IN EXPLAINING USG POSITION ON IMF/IBRD SALARY ISSUE IN CAPITAL, AS APPROPRIATE. END SUMMARY.

2. THE OUTSIDE CONSULTANTS REPORT COMPARING IMF/IBRD SALARIES WITH THOSE OF OTHER INTERNATIONAL ORGANIZATIONS, MEMBER GOVERNMENT CIVIL SERVICES AND PRIVATE SECTOR SALARIES WAS PUBLISHED IN FEBRUARY 1976. THE REPORT SHOWED THAT THE SALARIES WERE FAR AHEAD OF ANY IN THE PUBLIC OR

PRIVATE SECTORS ANYWHERE IN THE WORLD, WITH THE EXCEPTION THAT THE VERY TOP SALARIES (VICE-PRESIDENTIAL LEVEL AT THE IBRD) LAGGED THE U.S. PRIVATE SECTOR. THE SALARIES OF OECD/EC WERE HIGHER AT MOST LEVELS UNTIL ADJUSTMENTS FOR BENEFITS AND COL WERE APPLIED. THE IMF/IBRD ON THIS ADJUSTED BASIS AGAIN WERE THE BEST PAID.

3. NEVERTHELESS, THE STAFF ASSOCIATIONS AT IMF/IBRD PERSUADED MANAGEMENT THAT ADJUSTMENTS TO IMF/IBRD SALARIES WERE JUSTIFIED ON THE GROUNDS THAT THEIR GROWTH HAD LAGGED
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THAT OF OTHER INTERNATIONAL ORGANIZATIONS. THIS ARGUMENT IGNORED THE GREATER PURCHASING POWER OF THE WASHINGTON BASED ORGANIZATIONS, AND THEIR SUPERIOR RECRUITMENT/RETENTION EXPERIENCE. IMF, TENTATIVELY PROPOSED AN ACROSS-THE-BOARD INCREASE OF 8.8 PERCENT, INCLUDING A REAL INCREASE OF 3 PERCENT, AND VISUALIZED THIS AS FIRST STEP IN A CATCH-UP MANEUVER TO RE-ESTABLISH A HISTORICAL DIFFERENTIAL OVER OTHER I-O SALARIES. THE IBRD, TENTA-

TIVELY PROPOSED A SLIGHTLY SMALLER INCREASE, BUT ONE THAT FEATURED REVERSE TAPERING, I.E. THE HIGHER SALARY LEVELS RECEIVED A LARGER PERCENTAGE INCREASE. THE WEIGHTED AVERAGE OF THIS REAL INCREASE WAS AROUND 2.5 PERCENT.

4. THE INITIAL REACTION OF THE EXECUTIVE BOARDS WAS NOT HOSTILE TO THESE INCREASES, BUT TAKING INTO ACCOUNT U.S. OPPOSITION THE FINAL PROPOSALS WERE SOMEWHAT MODIFIED AND AT THE IMF WERE FOR A REVERSE TAPERED INCREASE OF FROM 7.3 PERCENT TO 8.4 PERCENT, AND THE SAME WAS PROPOSED AT THE IBRD EXCEPT THAT FOR NON-PROFESSIONALS ONLY A 5.8 PERCENT INCREASE WAS RECOMMENDED.

5. U.S. POSITION WAS TO PROPOSE A TAPERED ADJUSTMENT THAT VARIED FROM A FULL COL INCREASE AT THE LOWER STAFF LEVELS UP TO 75 PERCENT OF COL AT THE HIGHEST GRADES. THIS WAS ALONG THE LINES OF THE SIMILAR PROPOSAL BEING RECOMMENDED BY MANY COUNTRIES AT THE OECD AND NATO.

6. THE U.S. CAMPAIGN WAS CARRIED TO THE GOVERNORS OF SOME OF THE INFLUENTIAL COUNTRIES WHO WERE ASKED TO INSTRUCT THEIR EXECUTIVE DIRECTORS TO SUPPORT THE U.S. ON THE ISSUE. THE INCONSISTENCY OF ALLOWING INFLATIONARY INCREASES AT THESE INTERNATIONAL ORGANIZATIONS WHILE THE COUNTRIES THEMSELVES WERE FOLLOWING ANTI-INFLATIONARY POLICIES WAS NOTED. IT WAS ALSO OBSERVED THAT IT WAS INCONSISTENT FOR STAFF MEMBERS AT THE IMF WHO ADVISED MEMBER COUNTRIES TO TAKE TOUGH STABILIZATION MEASURES INVOLVING STRONG CONSTRAINTS ON REAL STANDARDS OF LIVING TO DEMAND EXCESSIVE WAGE INCREASES. AT THE IBRD THE U.S. THOUGHT IT

INAPPROPRIATE FOR AN INSTITUTION CONCERNED WITH DEVELOPMENT IN THE POOREST COUNTRIES TO VOTE THEMSELVES EXCESSIVE

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SIVE INCOMES.

7. AT THE IMF BOARD ON APRIL 21 DIRECTORS HOLDING 70 PERCENT OF THE VOTES INDICATED THEY WERE OPPOSED TO MANAGEMENT'S PROPOSALS. THE MANAGEMENT WITHDREW ITS PROPOSAL AND ASKED IF THE BOARD WOULD ACCEPT A STRAIGHT COL INCREASE. ONLY THE U.S. VOTED AGAINST THIS MEASURE.

8. AT THE IBRD ON APRIL 22 THE MANAGEMENT WITHDREW ITS ORIGINAL PROPOSAL AND ASKED FOR A VOTE TO CHOOSE BETWEEN A STRAIGHT 5.8 PERCENT COL INCREASE, AS IN THE IMF, OR A TAPERED INCREASE PROPOSED BY THE U.S. THE STRAIGHT COL INCREASE WAS CHOSEN BY DIRECTORS HOLDING 52.1 PERCENT OF THE VOTES WITH 47.1 PERCENT SUPPORTING THE U.S. POSITION. ASWING OF 11665 VOTES OR 2.9 PERCENT OF THE VOTING POWER

WOULD HAVE WON THE ISSUE FOR THE U.S.

9. ON APRIL 23 THE IMF STAFF ASSOCIATION CALLED A MEETING AT WHICH 50 PERCENT OF THE TOTAL STAFF ATTENDED. A RESOLUTION WAS CARRIED BY OVER 90 PERCENT TO STAGE A ONE-DAY WORK STOPPAGE ON APRIL 28 TO PROTEST THE OVER-RULING OF MANAGEMENT BY THE EXECUTIVE BOARD, AND THE INTERCESSION OF GOVERNORS TO INTERFERE WITH SUCH DECISIONS.

10. THE WORK STOPPAGE WAS HELD AS PLANNED ON APRIL 28 WITH 592 STAFF TAKING ONE DAY OF ANNUAL LEAVE. THIS REPRESENTED APPROXIMATELY TWO-THIRDS OF THE TOTAL MEMBERSHIP IN WASHINGTON ON THE 28TH. THE STAFF ASSOCIATION PASSED RESOLUTION AUTHORIZING THE ASSOCIATION TO DEVELOP ALTERNATIVES, INCLUDING UNIONIZATION OF STAFF, TO PRESENT ASSOCIATION STRUCTURE AND TACTICS.

11. THE IMF MANAGING DIRECTOR INDICATED THAT HE REGRETTED THE STOPPAGE BUT HE UNDERSTOOD THE FEELINGS OF DISAPPOINTMENT.

12. AT IBRD, STAFF ASSOCIATION VOTED NOT TO STRIKE BUT PASSED A RESOLUTION PROTESTING U.S. HIGH-LEVEL ACTIONS IN CAMPAIGNING AGAINST MANAGEMENT'S HIGHER PROPOSALS.

13. THE STAFF SALARY ISSUE AT THE IMF/IBRD IS THUS HOPE-
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FULLY FINISHED UNTIL NEXT SPRING. IT IS HOPED THAT MANAGEMENT AND OTHER COUNTRIES WILL NOW BE MORE SENSITIVE TO THE U.S. POSITION ON THIS ISSUE. THE USG HAS AN INTER-AGENCY WORKING GROUP ON REMUNERATION AT INTERNATIONAL ORGANIZATIONS. AT SUBSEQUENT DATE APPROACHES MAY BE MADE

TO MEMBER COUNTRY GOVERNMENTS TO SEEK THEIR AGREEMENT ON METHODS OF SALARY DETERMINATION.

14. DURING THE SUMMER OF 1976 A PROPOSAL TO INCREASE THE EXECUTIVE DIRECTORS SALARIES MAY BE FORTHCOMING. THIS WILL BE VOTED ON BY THE GOVERNORS OF THE INSTITUTIONS, AND IT CAN BE EXPECTED THAT U.S. WILL VIGOROUSLY OPPOSE ANY INCREASE.

15. THIS MESSAGE DESIGNED TO GIVE EMBASSIES AND ESPECIALLY U.S. MISSIONS INTERNATIONAL ORGANIZATIONS NECESSARY BACKGROUND TO EXPLAIN U.S. POSITION AS APPROPRIATE ON IMF/IBRD QUESTION. KISSINGER

Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: POLICIES, WAGES
Control Number: n/a
Copy: SINGLE
Draft Date: 12 MAY 1976
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: n/a
Disposition Approved on Date:
Disposition Authority: n/a
Disposition Case Number: n/a
Disposition Comment:
Disposition Date: 01 JAN 1960
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1976STATE116378
Document Source: CORE
Document Unique ID: 00
Drafter: OASIA:WTHOMSON:CMR
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Film Number: D760185-1011
From: STATE
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1976/newtext/t19760562/aaaacaul.tel
Line Count: 212
Locator: TEXT ON-LINE, ON MICROFILM
Office: ORIGIN TRSE
Original Classification: UNCLASSIFIED
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 4
Previous Channel Indicators: n/a
Previous Classification: n/a
Previous Handling Restrictions: n/a
Reference: n/a
Review Action: RELEASED, APPROVED
Review Authority: CollinP0
Review Comment: n/a
Review Content Flags:
Review Date: 28 JUN 2004
Review Event:
Review Exemptions: n/a
Review History: RELEASED <28 JUN 2004 by wolfsd>; APPROVED <19 JAN 2005 by CollinP0>
Review Markings:

Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
04 MAY 2006

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: REVIEW OF IMF/IBRD SALARY CAMPAIGN
TAGS: EAID, EFIN, AORG, US, IBRD, IMF
To: ALL POSTS
MULTIPLE
Type: TE
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 04 MAY 2006